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# Local Cable Franchising Basics & Benefits

# What Is a Cable Franchise?

- Property Interest Conveyed for Community Benefit
- Valuable Right to Semi-Permanently Occupy Public Property
- Must Be Legally, Technically, Financially Qualified
- Federal Regulations Apply



# Federal Franchise Regulations

- Does not mandate but limits franchise fee (rent for use of public right-of-way) to 5 percent of gross revenues
- Permits additional capital grants for public, educational, governmental access facilities and institutional networks (I-Nets)
  - 3 percent of gross revenues negotiated by major MD counties

# Federal Franchise Regulations

- Permits Public Interest Obligations
  - Build-out (reasonable period to provide service to all households)
  - Adequate PEG access channel capacity, facilities, financial support
  - System technical standards & performance
  - Customer service requirements

# Federal Franchise Regulations

- Cable Operator Entitled to Franchise Renewal
  - If renewal proposal meets “future cable-related community needs and interests, taking into account the cost”
  - Many communities are negotiating 2d renewal (i.e., new 3<sup>rd</sup> term after two 15-year franchises)



# Cable Franchise Award Process

- Negotiated agreement
  - Must comply with federal rules
  - Competitive pressure to negotiate similar terms between incumbent and competitor franchises, while addressing development of new technologies, consumer needs and different start dates

# Cable Franchising – Public Benefits

- Buildout
- Consumer Protection
- Local Community Media (Public, Educational, Government Access “PEG”)
- Institutional Networks
- Franchise Revenue

# Buildout

Franchise buildout requirements facilitated widespread cable and broadband deployment

- In 1978, only 12 percent of homes passed by cable television
- In 1984, local cable franchising begins
- By 1990, 94 percent of homes passed by cable television
- By 2010, National Broadband Plan reports broadband networks pass 94 percent of homes



# Consumer Protection

- FCC rules establish minimal, largely outdated customer service rules, which are enforced through franchise agreements
- FCC rules permit negotiation of stronger consumer protection rules
- Local governments may adopt separate Customer Service Ordinance or have additional negotiated terms in franchise

# Consumer Protection-Local Help

- Consumers rely on local government cable offices to escalate complaints they cannot get cable operator to satisfactorily resolve
- Primary complaints: billing, service outages, construction (torn up yards), and service not available at address



# Consumer Protection-FCC Rules

- FCC rules do not address billing or service problems for bundled services
  - Most consumers purchase bundled package of cable, broadband and telephone to receive price discount
  - FCC has no rules to address billing or service problems for broadband and limited telephone complaint rules

# Consumer Protection

- Local governments need more authority to assist consumers
  - Qualitative standards
  - Resolving service calls on first visit
  - Providing better communications and repair estimates following major storm-related outages

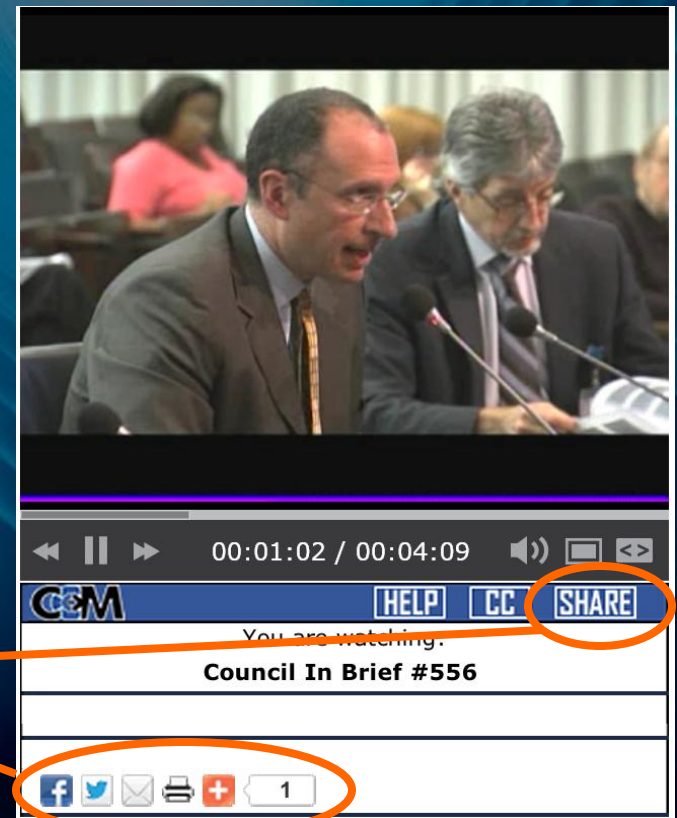


# Local Community Media

- Local community media channels (“PEG”) serve interests not addressed by mainstream media:
  - Open government, government services and local political issues discussion
  - Community events, community journalism
  - Educational programming for students and parents
  - Programming in languages other than English

# Open Government

- Live, replayed, and video-on-demand coverage of local council legislative actions. Applications such as Granicus allow:
  - Links between agenda items and video segments
  - Internet closed captioning
  - Public sharing of html clips of video (may select exact clip) or sharing links via social media

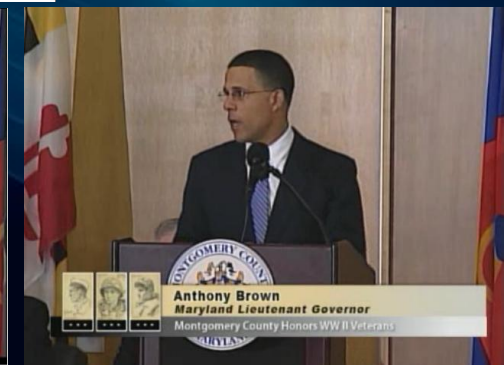
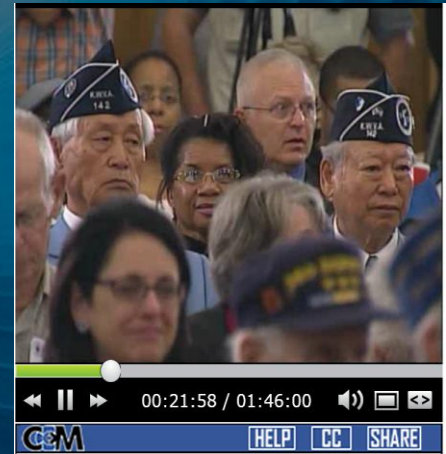




# Government Community Events

PEG funding enables community event collaboration such as recent event honoring local WWII veterans.

In addition to live event, replays and on-line video, 13 hours of video interviews with local WWII veterans will also air on Nov 11 and 12 on local cable channels.



# Community Coverage

- Residents and staff cover major events (power outages, storms, public hearings) and local events (farmers markets, parades) using PEG equipment





# Community Journalists

- Community journalists learn media skills to create local television programs at PEG centers





# Diverse Programming

- Residents use PEG facilities to produce programming in many languages:
  - Spanish
  - French
  - Italian
  - Portuguese
  - Arabic
  - Farsi
  - Turkish
  - Cambodian
  - Chinese
  - Korean
  - Vietnamese
  - Punjabi



# Institutional Networks (“I-Net”)

- I-Net is a communication network
  - Supports voice, video and data services, including public safety wireless communications services
  - Serves government centers, police and fire stations, schools, community colleges, libraries, community centers, health clinics
  - Is generally not available to residential subscribers (unless accessing publicly available broadband at government location)



# Institutional Networks (“I-Net”)

- I-Net is constructed by:
  - Cable operator providing construction as a form of franchise compensation or at reduced rates or through incremental pricing (to offset cable operator’s own construction costs)
  - Using PEG capital fees (“PEG facilities” include I-Nets under federal law)
  - American Recovery and Reinvestment Act grant
- I-Net is operated by:
  - Cable operators charging local governments no fee or at lower than market rates
  - Local governments using general funds, franchise fees, and/or operating grants from cable operator



# Franchise & PEG Revenue

- Franchise fees may be used for any purpose. They may support local general funds or be used in special funds to specifically to operate PEG facilities and I-Nets.
- PEG Capital grants support construction of I-Nets and production facilities or purchase of production equipment.